SASKATCHEWAN

Report of the Provincial Auditor

to the Legislative Assembly
of Saskatchewan

Understanding the Finances of the Government

2006 Report
Volume 2

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V2

Telephone: (306) 787-6398
Fax: (306) 787-6383

E-mail: info@auditor.sk.ca
Website: http://www.auditor.sk.ca/

ISSN 0581-8214

This Report and previous Reports are available on the Internet at http://www.auditor.sk.ca/

Vision

We envision effective, open, and accountable government.

Mission

We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability.

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V2

SASKATCHEWAN

2007-01534/

Phone: (306) 787-6366
Fax: (306) 787-6383
Internet e-mail: fwendel@auditor.sk.ca

August 28, 2006

The Honourable P. Myron Kowalsky
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

Dear Sir:

I have the honour of submitting my *2006 Report - Volume 2*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14 of *The Provincial Auditor Act*.

Respectfully yours,

Fred Wendel, CMA, CA
Provincial Auditor

/dd

Foreword

I am pleased to present my *2006 Report – Volume 2* to the Legislative Assembly. This Report focuses on understanding the finances of the Government. Later this year, I will present Volume 3. Volume 3 will include the results of our work at government organizations with a fiscal year end of March 31, 2006.

Regina, Saskatchewan
August 28, 2006

Fred Wendel, CMA, CA
Provincial Auditor

Understanding the Finances of the Government

Executive summary 1

Key financial and economic indicators for Saskatchewan – 1991 to 2006 2

Background 3

An overview of the Government's finances 3

Understanding the indicators 5

Providing financial trends 5

Comparing Saskatchewan to other provinces 5

Explaining data limitations 6

Key indicators of the Government's financial condition 6

Sustainability 6

Flexibility 10

Vulnerability 15

Keeping abreast of changes in reporting 18

Appendix 1 – Glossary of key terms 20

Appendix 2 – Additional financial information and analyses 22

Appendix 3 – Detailed revenues and expenses – 1991 to 2006 39

Appendix 4 – Listing of graphs 40

This page left blank intentionally.

Executive summary

The Government's financial condition has continued to improve. The Government's net debt is at a sixteen-year low of $7.8 billion. Although net debt has continued to decrease, it remains high given Saskatchewan's population of one million.

Nevertheless, risks remain. On the revenue side, the Government's ability to raise revenue remains vulnerable to downturns in the provincial economy. In 2006, the economy was strong, growing 6.4%. But the economy is vulnerable to changes in the value of the Canadian dollar, prices for commodities such as oil, potash, grains, and cattle, and interest rates.

In addition, the Government's revenues are impacted by the current federal equalization formula that decreases transfers from the Federal Government as revenues from non-renewable resources increase.

On the expenses side, the Government continues to be under pressure to spend more in some sectors, particularly health and education. The Government also remains exposed to high costs for crop insurance programs in the event of low commodity prices or bad weather.

In 2006, the Government continued to build its financial resilience by prudently reducing its net debt. Given its vulnerability to low commodity prices, bad weather, and high interest rates, the Government must continue to carefully manage the risks to its future revenues and expenses.

Key financial and economic indicators for Saskatchewan – 1991 to 2006

(derived from the Government's summary financial statements)

(in millions of dollars)

	Key	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Annual surplus (deficit) – actual	1	(752)	(1,676)	(900)	(281)	141	563	545	326	69	406	461	(483)	(654)	(100)	844	**679**
Annual (deficit) – budgeted	2,4	N/A													(284)	(297)	**(173)**
Net debt	1	7,896	9,571	10,476	10,758	10,627	10,056	9,511	9,185	9,108	8,702	8,248	8,735	9,305	9,318	8,487	**7,761**
Gross domestic product (GDP)	3	21,505	21,837	21,215	22,904	24,716	26,791	29,238	29,377	29,550	30,929	33,765	33,222	34,498	36,821	40,462	**42,640**

(in percentages)

		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Net debt as a % of GDP	1,3	37	44	49	47	43	38	33	31	31	28	24	26	27	25	21	**18**
Interest costs as a % of revenue	1	20	21	24	23	22	20	20	19	18	14	13	13	12	12	10	**9**
Annual percentage increase in net book value of tangible capital assets	1,4	N/A						1	0.8	2.6	1.6	1.2	2.8	2.2	2	2.4	**0.6**
Own-source revenue as a % of GDP	1,3	17	17	18	18	19	20	18	19	18	18	18	16	18	17	18	**19**
Federal Government transfers as a % of own-source revenue	1	43	46	37	37	33	19	16	12	21	27	17	28	23	20	28	**18**

Key:

1. Information derived from the Government's summary financial statements for the fiscal year ending March 31.
2. Information from Government of Saskatchewan Budget and Performance Plan Summary for the fiscal year ending March 31.
3. GDP statistics reflect the most recent calendar year as published by Saskatchewan Bureau of Statistics (www.stats.gov.sk.ca). Statistics are not available for twelve-month periods ending March 31. The GDP statistics are not adjusted for inflation (commonly referred to as nominal GDP).
4. N/A means data is not available.

Background

This is the tenth year that my Office has published "Understanding the Finances of the Government" as a separate report.

Since 1997, these reports have alerted legislators and the public to the importance of using the Summary Financial Statements as the basis for assessing and understanding the financial condition of the Government. The reports have reminded legislators that the Government's General Revenue Fund[1] does not provide the full financial picture. Only the Government's Summary Financial Statements provides the full financial picture.

A government's financial condition reflects its financial health. Understanding the financial condition of a government, particularly over time, provides insight into a government's management of its finances.

A 1997 research report commissioned by The Canadian Institute of Chartered Accountants (CICA) entitled *Indicators of Government Financial Condition* advocates the use of a core set of financial indicators to assess the financial condition of governments. These indicators recognize the importance of financial performance relative to the economy. The indicators set out in the research report measure:

- whether a government is living within its means
- a government's flexibility to meet rising commitments by increasing its revenues or increasing its net debt
- the extent to which a government relies on money from the Federal Government to pay for existing provincial programs

The CICA continues to support this research report.[2]

Since 1997, our reports have used these indicators to measure and report on the financial condition of the Government.

An overview of the Government's finances

The Government's finances have significantly improved since 1991. The Government's 2006 financial results continue this trend.

---

[1] The General Revenue Fund is a special purpose fund that the Government uses to pay for some of its programs. By law, the Legislative Assembly must approve the spending from the General Revenue Fund. The spending is set out each year in the Estimates (an annual budget).

[2] *Indicators of Government Financial Condition* is available from the CICA website at www.cica.ca.

In 2006, the Government did significantly better than it expected. It expected to record a loss of $173.1 million. Instead, the Government recorded a surplus; it spent $679 million less than it took in as revenue.

Consistent with the prior year, because the Government had a surplus, the net debt was reduced. The net amount that the Government owes (net debt) declined for the past two years. Net debt decreased by $726.3 million from $8.5 billion in 2005 to $7.8 billion in 2006. This decrease reduces the debt burden on future taxpayers.

Continued reductions in net debt lower the Government's interest costs. In 2006, the Government spent a greater proportion of its resources than prior years on its programs as opposed to interest costs. Its interest bite[3] decreased from its high of 24% in 1993 to a sixteen-year low of 9% in 2006. Although reduced, interest costs of $841 million continue to be significant given our current population of less than one million.

The provincial economy continued to be strong. For the fourth year in a row, the provincial economy grew (i.e., GDP increased 6.4% in 2006 from 2005, 9.2% in 2005 from 2004, 6% in 2004 from 2003, 3.9% in 2003 from 2002). The Saskatchewan economy is affected by the value of the Canadian dollar (due to Saskatchewan's high reliance on exports), the world price of commodities such as oil, potash, crops, and cattle, and Canadian interest rates.

The growth in the provincial economy resulted in higher revenues from income taxes. Increased worldwide prices for oil and natural gas resulted in revenue from non-renewable resources such as oil, potash, and natural gas surpassing the previous all-time high of $1.5 billion in 2005 by 17% (2006 – $1.7 billion). The prices of these products are set by markets over which the Government has no control.

The strong provincial economy and decreased net debt means the provincial economy can better afford the demands placed on it by the Government. This is shown by the continued decline in net debt as a percentage of GDP. This measure declined from its high of 49% in 1993 to 18% in 2006. The Government has a better net debt to GDP and net debt per capita than most other provincial governments.

[3] Interest bite is an indicator of the state of a government's finances. The indicator measures interest costs as a percentage of revenue and shows the extent to which a government must use revenue to pay interest costs rather than to pay for programs and services.

Own-source revenue as a percentage of GDP remained relatively stable with a slight increase to 19% in 2006 from 18% in 2005. This means that the Government's own-source revenues increased about the same amount as the growth in provincial economy.

The increase in own-source revenues has helped the Government become less dependent on money from the Federal Government. In 2006, Federal Government transfers as a percentage of Saskatchewan's own-source revenue dropped from 28% to 18%. Increases in revenues from non-renewable resources continue to be offset by decreases in federal equalization transfers.

The Government continues to be vulnerable due to its reliance on revenues that change based on factors beyond its control. The Government must continue to take into account the risk of unforeseen changes in its revenues when making spending decisions.

Understanding the indicators

As noted previously, this report uses the CICA Research Report's set of financial indicators to highlight the Government's financial condition. The Government's Summary Financial Statements provide the basis for the financial indicators presented in this report. Appendix 1 provides a glossary of key terms.

Providing financial trends

Where possible, this report provides indicator data for each year since 1991.[4] Providing data for multiple years allows readers to observe the general direction of the indicators over time and identify trends. Trends provide robust information, whereas data for a specific year provides a snapshot of the indicators.

Comparing Saskatchewan to other provinces

In addition, this report compares Saskatchewan's financial condition for selected indicators to that of other provinces using data from the prior fiscal year (i.e., year ended March 31, 2005). The report provides prior

[4] 1991 was the first year that the Government produced Summary Financial Statements. Information prior to 1991 is not available.

year data since current year data is not available from most other provinces at the time of writing the report.

Explaining data limitations

This report does not adjust the data presented for prior years for inflation.

Furthermore, it is not feasible to adjust data presented for differences in how governments organize themselves or for their varying responsibilities. These differences affect what financial information is included for each sector. For example, for varying reasons, some provincial governments include the results of health regions in their summary financial statements while others do not.

Further, it is not feasible to adjust data for differences in the characteristics of provincial economies. For example, own-source revenues for some provincial governments include significant revenues from non-renewable resources such as oil and gas.

Key indicators of the Government's financial condition

The Research Report sets out three categories of indicators that measure a government's financial health in the context of its overall economic and financial environment. The three categories are sustainability, flexibility, and vulnerability.

This section describes each of these categories and their related indicators (in italics). For each indicator, it provides at least 16 years of provincial data, highlights key trends, and compares information for Saskatchewan to that of other provinces (where available).

Sustainability

Sustainability measures the ability of a government to meet its existing program commitments and creditor requirements without increasing its net debt.

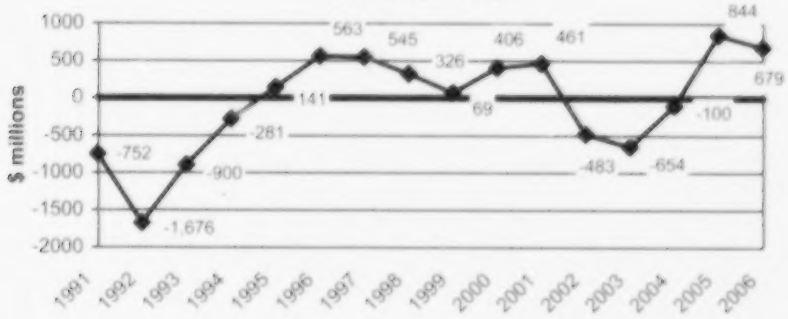
Looking at trends in the following three indicators provides useful insight into the sustainability of a government's revenue-raising and spending practices:

- *a government's annual surplus or deficit*
- *a government's net debt*

- *a province's/country's gross domestic product (GDP)*

The annual surplus or deficit *shows the extent to which a government spends less or more than it raises in revenue in one fiscal year. In simple terms, it shows whether a government is living within its means. An annual surplus means the government has lived within its means.*

Graph 1 **The Government's annual surplus or deficit from 1991 to 2006**



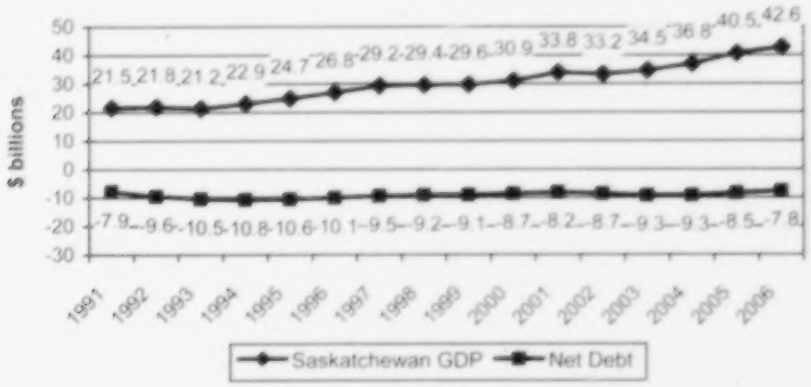
Graph 1 shows that since 1991 the Government has lived within its means for nine of the last sixteen years (that is the Government raised more revenues than it spent in each of these years).

Continued surpluses help the Government maintain programs and provide it with an opportunity to lessen its borrowing needs.

A government must manage its revenue-raising and spending practices in the context of its provincial economy. Looking at net debt and GDP provides insights into these practices.

Net debt *is the amount that current and past generations of citizens leave to future generations of citizens to pay or finance. It is a government's total liabilities less its financial assets. The* ***GDP*** *is a measure of the total value of all the goods and services produced in a province during a given year. The GDP indicates the size of the provincial economy.*

Graph 2 Saskatchewan's GDP and the Government's net debt from 1991 to 2006



Over the sixteen-year period ending in 2006, the provincial economy, as reflected by GDP, grew 98% from a low of $21.5 billion in 1991 to a high of $42.6 billion in 2006[5] while the consumer price index increased by 40%.[6] Over the same period, the net debt has recovered from its 1991 level of $7.9 billion to $7.8 billion in 2006.

Graph 2 shows that from 1991 to 2006, the Government's net debt initially increased from a low of $7.9 billion in 1991 to a high of $10.8 billion in 1994 and then has gradually decreased from 1994 to 2006. Over the same periods, the GDP steadily increased. The steady growth in GDP has assisted the Government in decreasing its net debt.

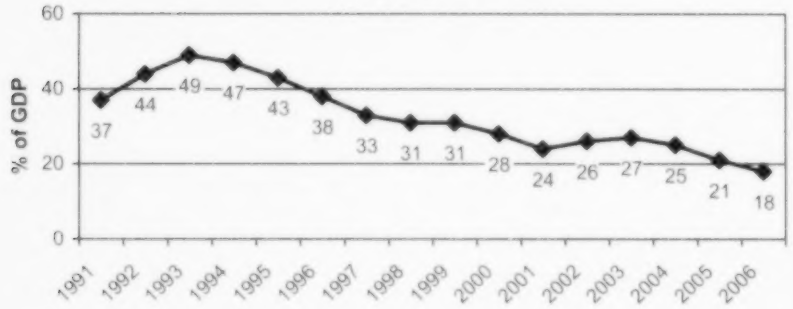
Comparing a government's ***net debt as a percentage of its provincial GDP*** *measures the level of financial demands placed on the economy by a government's spending and revenue-raising practices. It provides a measure of how much debt a government can afford to carry. The larger the economy, the more debt a government can afford to carry.*

Higher ratios mean a government is placing a growing debt burden on taxpayers and it will need more of its future revenues to repay the debt. Higher ratios can adversely impact the rates at which a government can borrow (i.e., credit ratings) -- lower or decreasing ratios are better.

[5] Source: Saskatchewan Bureau of Statistics for GDP at December 31. GDP statistics reflect the previous calendar year since statistics are not available for twelve-month periods ending March 31. GDP is not adjusted for inflation (i.e., nominal GDP).

[6] Consumer Price Index by Province, Statistics Canada, www40.statcan.ca, accessed June 19, 2006.

Graph 3 **The Government's net debt as % of GDP from 1991 to 2006**

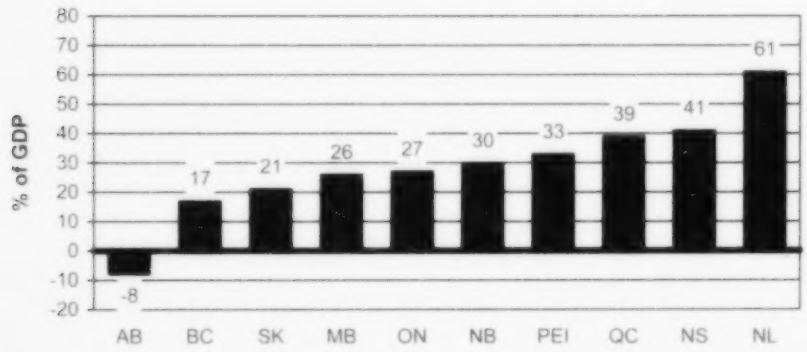


Graph 3 shows a positive trend. As shown in graphs 1 and 2, steady growth in the provincial economy combined with annual surpluses in nine of the sixteen years has reduced the debt burden on Saskatchewan taxpayers.

The downward trend of net debt as percentage of GDP suggests the Saskatchewan economy can better sustain demands the Government places on it. Also, a more robust provincial economy suggests the Government can rely less on money from the Federal Government to finance its spending.

Comparing provincial governments' net debt as a percentage of their provincial GDP shows how well they perform relative to their counterparts.

Graph 4 **Net debt as % of GDP as at March 31, 2005 by province**



Graph 4 compares Saskatchewan's net debt as percentage of GDP to nine provincial governments at March 31, 2005. It shows the three

western provinces have the lowest percentages with Saskatchewan being third. This ranking is consistent with prior years (i.e., Saskatchewan was third lowest in 2004, 2002, 2001, and 2000 and the fourth lowest in 2003). A continued lower ranking shows Saskatchewan is performing well compared to most other provinces but continues to lag behind Alberta and British Columbia.

Flexibility

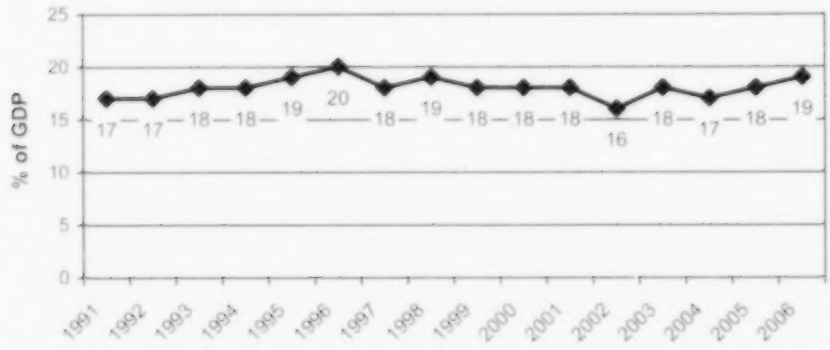
Flexibility measures the degree to which a government can increase financial resources to respond to rising commitments either by expanding its revenues or by increasing its net debt.

Looking for trends in the following indicators provide insight into a government's flexibility in responding to rising commitments:

- *a government's own-source revenues*
- *a government's interest costs*
- *a government's investment in tangible capital assets*

A government's ***own-source revenues as a percentage of provincial GDP*** *shows how much revenue from the provincial economy a government raises through taxation and users fees.*[7] *High ratios or increases in ratios mean a government is placing higher demands on its provincial economy – its demands are outpacing growth in the economy. This can make future increases in taxes or user fees difficult.*

Graph 5 **The Government's own-source revenue as % of GDP from 1991 to 2006**



[7] Own-source revenues are revenues a government raises from within its province such as tax revenue, and oil and gas revenues. They do not include transfers from the Federal Government such as equalization transfers, or Canada Health and Canada Social transfers.

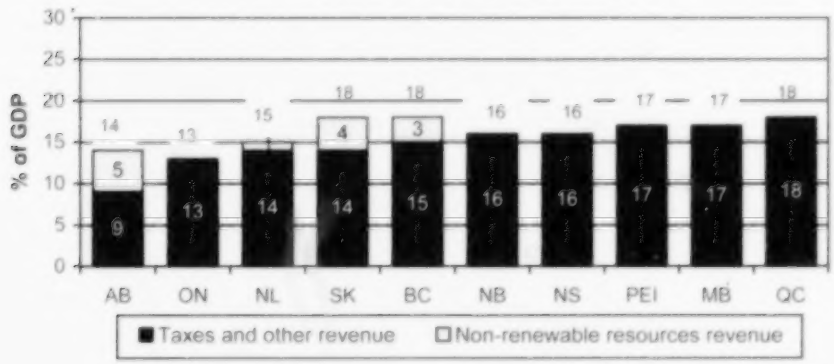
Graph 5 shows that since 1991 the revenue raised by the Government from sources within the Province (own-source) as a percentage of GDP has remained fairly constant. The constant ratio suggests the pace of increases in the Government's own-source revenues has closely matched increases in the size of the provincial economy.

Saskatchewan's GDP has increased, as shown in Graph 2, 98% from $21.5 billion in 1991 to $42.6 billion in 2006. During this same period, Saskatchewan's own-source revenues have increased 116% from $3.7 billion in 1991 to $8.0 billion in 2006. The constant trend suggests that the Government has not significantly changed its demands on the provincial economy.

Comparing provincial governments' own-source revenues as percentage of GDP shows the extent of each government's revenue demands on each of their provincial economies.

Graph 6

Own-source revenue as % of GDP as at March 31, 2005 by province



Graph 6 compares Saskatchewan's own-source revenues as a percentage of GDP to the nine other provinces as at March 31, 2005. It breaks down these revenues into "taxes and other" and "non-renewable resources" revenues.

Saskatchewan, in common with other provinces, relied on "taxes and other revenue" as its primary source of own-source revenues. Since 2003, Saskatchewan's ratio has been the third lowest tying with Newfoundland and Labrador in 2005 at 14%.

Consistent with prior years, three western provinces rely on "non-renewable resources" as a significant revenue source. Provinces with

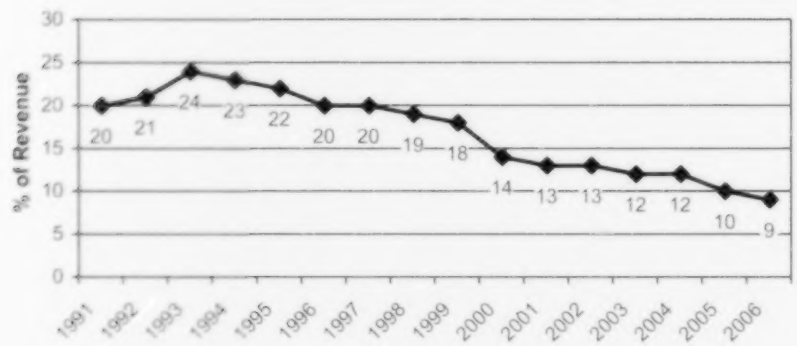
significant "non-renewable resources" revenues receive no or low federal equalization transfers.[8] Saskatchewan, in common with British Columbia, has significant "non-renewable resources" revenue that affects its equalization transfers.[9] For trends in equalization transfers, see the next section on "vulnerability" and Appendix 2 (question 10).

On an overall basis, Saskatchewan continued to have one of the higher percentages of own-source revenues to GDP relative to other provinces. For 2005, Saskatchewan tied with British Columbia and Quebec for the highest at 18% of GDP. Their overall provincial-revenue demands on their economies are more than most other provinces.

Reliance on own-source revenues as opposed to federal transfers gives a government greater flexibility in responding to commitments.

*The amount of **interest costs as a percentage of total revenue**, sometimes called the "interest bite," shows the extent to which a government must use revenue to pay for interest costs rather than to pay for services. In simple terms, the ratio shows how much of every dollar of a government's revenue was needed to pay interest.*

Graph 7 **The Government's interest costs as % of revenue from 1991 to 2006**



[8] *Nova Scotia and Newfoundland and Labrador Additional Fiscal Equalization Offset Payments Act*, Government of Canada, June 2005. The Federal Government compensates Nova Scotia and Newfoundland for lost equalization payments resulting from higher off-shore oil revenues.

[9] *Achieving a National Purpose: Putting Equalization Back on Track*, Expert Panel on Equalization and Territorial Formula Financing, May 2006.

Graph 7 shows a significant decline in interest costs as a percentage of revenue -- this is a positive trend. From 1991 to 2006, the amount of interest costs as a percentage of revenue (interest bite) has decreased by 55%. The amount of revenue the Government needed to pay interest has steadily declined since 1993 where the Government used twenty-four cents of every dollar of its revenue to pay interest. In 2006, it used only nine cents of every dollar.

This decrease in the interest bite resulted primarily from increased revenue along with lower interest costs. The Government's revenues increased $4.2 billion (i.e., 79%) from $5.3 billion in 1991 to $9.5 billion in 2006. The Government's interest costs decreased $212 million (i.e., 20%) from $1.1 billion in 1991 to $841 million in 2006.

The Government has lowered its interest costs by having less debt and lower interest rates on its debt. Reduced debt has contributed to the Government's improved 2006 credit rating of A (high) from a low of BBB in 1994.[10] For trends on the Government's credit ratings and comparisons with those of other provinces, see Appendix 2 – graphs L to O. Better credit ratings also mean the Government has more sources for borrowing.

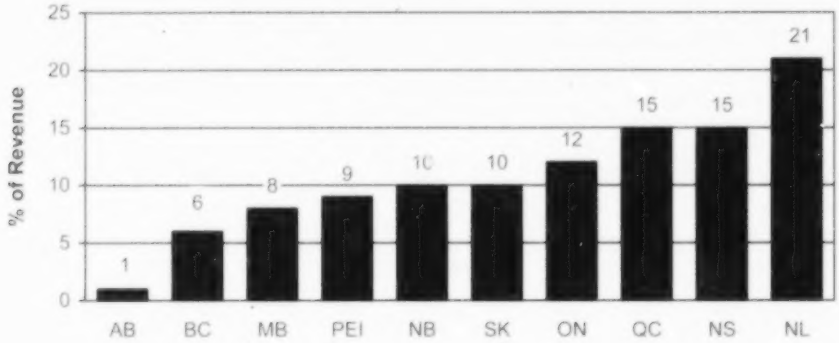
To help put the Government's interest costs in perspective, consider the following. In 1991, the Government spent more on interest costs than it did on education. In 2006, its interest costs are equivalent to about 60% of its spending on education and similar to the amount it spent on social services and assistance. While interest costs are declining, they remain significant. In 2006, interest costs of $841 million are the fourth largest expense of the Government. Further reductions in interest costs will give the Government more resources to provide services without increasing its revenues.

Comparing a provincial government's interest costs as a percentage of revenue to others shows how well it performs relative to its counterparts. A lower ratio of interest costs as a percentage of revenue than other provincial governments means a government uses less of its revenues to pay for interest costs – being lower than your counterparts allows a government to have greater flexibility than its counterparts in providing services.

[10] Reflects Dominion Bond Rating Service (DBRS) rating for Province of Saskatchewan long-term debt (i.e., bonds and debentures). The DBRS long-term debt rating scale from AAA and D gives an indication of the risk that a borrower will not fulfill its full obligations in a timely manner. DBRS ratings are publicly available at www.dbrs.com.

Graph 8

Interest costs as % of revenue as at March 31, 2005 by province



Graph 8 compares Saskatchewan's interest costs as a percentage of revenue to nine provincial governments at March 31, 2005. It shows that Saskatchewan has remained within the six lowest percentages tying with New Brunswick for the fifth lowest percentage in 2005. Saskatchewan has been either fifth or sixth lowest since 2001. Consistently, Alberta has been the lowest, British Columbia second lowest, PEI third lowest followed by New Brunswick and Manitoba.

Governments invest billions of dollars in tangible capital assets such as buildings, equipment, roads, and dams. These assets are essential for the economy and for delivering government services.

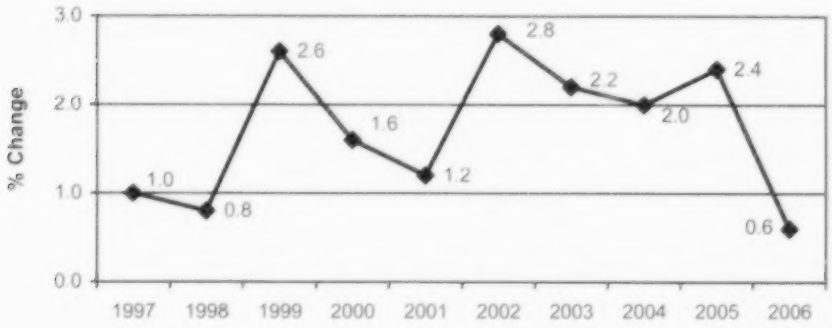
*The **annual percentage change in the net book value of tangible capital assets** measures the extent to which a government is maintaining or failing to maintain the tangible capital assets needed to deliver its services. An increase means a government has spent more on these assets than it has reduced their value because of age and use - commonly called amortization or depreciation.*

Continual decreases in the net book value of tangible capital assets may indicate that a government is not maintaining or enhancing its tangible capital asset base. This can adversely affect service delivery and lead to increased financial burdens on future taxpayers.

A government may delay spending money on renewing essential tangible capital assets to improve its financial results in the short term. Such delays of capital spending may lead to higher future maintenance or replacement costs because of increased deterioration. As such, deferral

of capital maintenance can result in poorer financial results in future periods.

Graph 9 **Annual % increase in net book value of tangible capital assets from 1997 to 2006**



At March 31, 2006, the Government had tangible capital assets with a net book value of almost $4 billion. In 2006, it spent $407 million on buying new assets and reduced the value of existing assets by $298 million (i.e., amortization).

Graph 9 shows that the Government, since 1997, has replenished its tangible capital assets by more than the amount of amortization. This suggests, on an overall basis, that the Government has not delayed the maintenance of its existing assets.

Interprovincial comparisons are not provided because complete information on tangible capital assets is not available for all provinces.

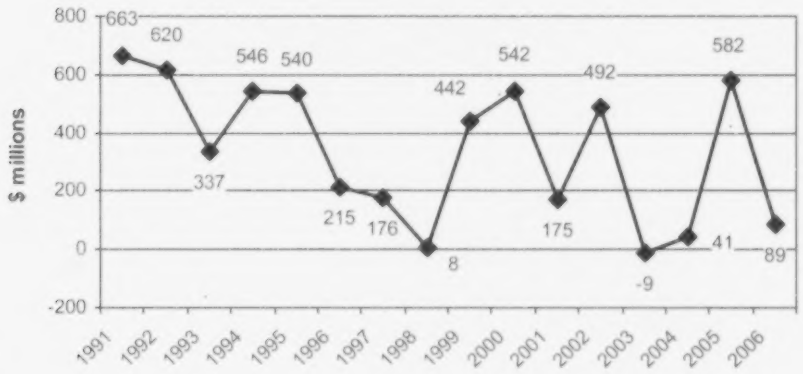
Vulnerability

Vulnerability *is the degree to which a government becomes dependent upon, and thus, vulnerable to sources of funding outside of its control or influence. In simple terms, this indicator measures the extent to which a government can manage its financial affairs without having to rely on others.*

Looking for trends in federal transfers provides insight into a government's dependency on outside funding.

Federal Government transfers include equalization transfers and other federal transfers.[11] Federal Government transfers to Saskatchewan decreased nominally from $1.6 billion in 1991 to $1.5 billion in 2006. The amount of transfers fluctuated significantly during this period from a low of $675 million in 1998 to a high of $2.0 billion in 2005. For trends on federal transfers, see Appendix 3.

Graph 10 **The Government's equalization transfers from 1991 to 2006**



Graph 10 shows the Government's revenues from equalization transfers fluctuate significantly. The Federal Government calculates the amount of equalization transfers by comparing the ability of provinces to raise revenues. Its calculation takes into account the performance of provincial economies relative to each other. The size of the provincial economy in any given year relative to other provinces significantly affects the annual amount of the equalization transfers. Provincial governments have no control over the amount of equalization they get each year.

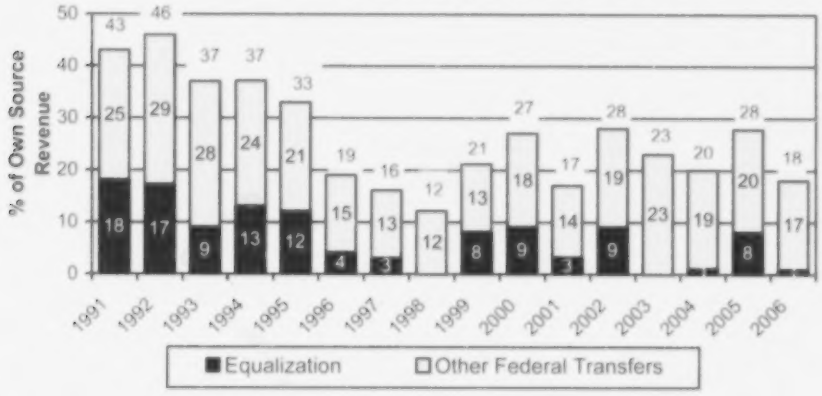
Significant shifts in federal transfers make it more challenging for the Government to make long-term decisions about program delivery.

Federal Government transfers as a percentage of its own-source revenue *shows the extent to which a government is dependent on money from the Federal Government to operate. The amount of federal transfers a government receives is outside of its control. A government showing increasing trends is becoming increasingly dependent on federal money*

[11] Other federal transfers are intended to help pay for the costs of such services as health, education, and agriculture; these include Canada Health transfers, Canada Social transfers, and transfers for education and agriculture.

to operate –that is changes in the levels of Federal Government funding would have a greater impact on a government's ability to deliver expected programs and services.

Graph 11 **Federal Government transfers as % of Saskatchewan Government own-source revenue from 1991 to 2006**



From 1991 to 2006, revenue raised directly by the Government from sources within Saskatchewan has increased by $4.3 billion from $3.7 billion in 1991 to $8.0 billion in 2006. For example, since 1991:

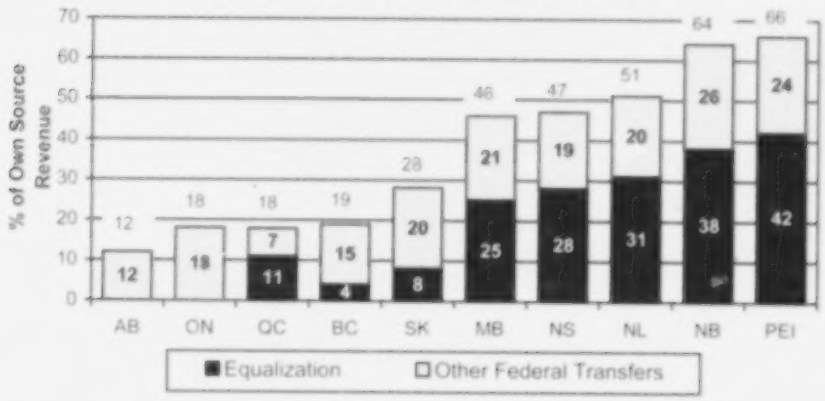
- Taxation revenue increased by $2.1 billion (105%) from $2.0 billion to $4.1 billion in 2006 compared with the provincial GDP increase of 98%.
- Non-renewable resources revenue increased by $1.3 billion from $423.0 million to $1.7 billion in 2006 due primarily to increased prices in oil, potash, and natural gas. These prices are set by worldwide markets beyond the Government's control.

Graph 11 shows Federal Government transfers as a percentage of Saskatchewan's own-source revenue has generally decreased since 1991. Increases in Saskatchewan's non-renewable resources revenue have decreased the amount of federal equalization transfers received. See Appendix 2 – graph H for further details.

The increase in the Government's own-source revenues has helped the Government become less dependent on money from the Federal Government. This increases the Government's ability to manage its financial affairs and lessens its reliance on federal money.

Comparing provincial governments' federal transfers as a percentage of own-source revenues shows the extent of governments' dependence on or vulnerability to changes in the level of Federal Government transfers.

Graph 12 **Federal government transfers as % of own-source revenue as at March 31, 2005 by province**



Graph 12 compares Saskatchewan's percentage to nine provincial governments at March 31, 2005. This graph shows that Saskatchewan was fifth lowest of the ten provinces. This ranking is consistent with prior years where Saskatchewan, relative to other provinces, was generally fourth or fifth lowest.

Keeping abreast of changes in reporting

The CICA recognizes that many users of financial information do not have the technical expertise to understand financial statements. The Public Sector Accounting Board of the CICA recommends governments include financial statement discussion and analysis (FSD&A) with their summary financial statements.[12] Providing FSD&A helps enhance users' understanding of a government's financial position and results. It helps users to make more informed decisions and judgements. It also assists a government to show its accountability for resources entrusted to it.

The CICA suggests governments use such analysis:

- to highlight significant events affecting the financial statements

[12] *Statement of recommended practice – Financial statement discussion & analysis*, CICA Public Sector Accounting Board, June 2004

- to profile significant risks and uncertainties inherent in its financial results
- to outline key strategies, policies, and techniques used to manage risks and uncertainties
- to explain significant differences between actual results for the current year to those of prior year and those planned
- to analyze significant financial trends

Many governments are starting to use the CICA's general framework to prepare such discussion and analysis. For the year ended March 31, 2005, six provincial governments included some FSD&A along with their audited summary financial statements. Three of those governments also reported on some of the indicators included in this report.[13]

The Government appropriately notes, "preparing plans, tracking progress and reporting back will lead to more and better information for managers and decision makers, enhanced accountability to the public and, ultimately, improved program and service outcomes."[14] As described in Chapter 11 of our 2005 Report – Volume 3, the Government is improving the performance plans and annual reports it publishes for its various agencies. As yet, the Government has not prepared a performance report on its results for the Government as a whole. Performance reports include financial discussion and analysis. Providing a performance report for the Government as whole can give the Government an opportunity to set out its thinking on the underlying issues, its key results, and provide a basis for its plans.

1. **We recommend that the Government publish financial statement discussion and analysis along with its audited Summary Financial Statements.**

[13] The governments of British Columbia, Manitoba, Ontario, Quebec, Nova Scotia, and Newfoundland and Labrador provided some financial statement discussion and analysis along with their audited summary financial statements for the year ended March 31, 2005. The governments of Manitoba, Quebec, and Newfoundland and Labrador include in this analysis some information on the indicators. The Government of British Columbia provides information on indicators related to its provincial debt.

[14] 2005-2006 Saskatchewan Provincial Budget – Budget and Performance Plan Summary, p. 4, Government of Saskatchewan, March 2005.

Appendix 1 – Glossary of key terms

Annual surplus (deficit) – is the difference between revenues and expenses in one year.

Accumulated deficit – is the sum of all annual deficits and surpluses to date. The accumulated deficit is equal to the total liabilities less the total assets.

Amortization – The amount a tangible capital asset is reduced each year to reflect its loss of value through age and use, sometimes referred to as depreciation.

Commodity – Any good exchanged in trade. Usually refers to raw materials and agricultural products traded principally based on price.

Financial assets – are cash and other assets convertible to cash and not intended for use in the normal course of operations, but which could provide resources to pay liabilities or finance future operations. Examples of financial assets include investments in marketable securities, and inventories for resale.

Government business enterprises – are self-sufficient Crown corporations that have the financial and operating authority to sell goods and services to individuals outside of the government and to non-governmental organizations as their principal activity. Examples include SaskPower, SaskEnergy, SaskTel, and the Liquor and Gaming Authority.

Government service organizations – are organizations controlled by the government, and that are not government business enterprises.

Gross domestic product (GDP) – is a measure of the value of the goods and services produced in a jurisdiction in one year.

Interest bite – measures interest costs as a percentage of revenue and is an indicator of the state of a government's finances. The indicator shows the extent to which a government must use revenue to pay interest costs rather than to pay for programs and services.

Liabilities – are amounts owed. Liabilities include bonds and debentures, pension obligations, and a variety of other payables and claims.

Net assets – is the total financial assets less total liabilities.

Net book value – the amount of net assets recorded in the books of accounts or financial statements. For example, the net book value of tangible capital assets is the recorded value of the assets less the total accumulated amortization relating to that asset.

Net debt – is the total liabilities less the total financial assets.

Non-financial assets – are assets not readily convertible to cash. Examples include tangible capital assets, inventories for consumption, and prepaid expenses.

Own-source revenue – is the revenue raised by a provincial government from sources within the province and, thus, excludes revenue transferred to a provincial government from the Federal Government.

Ratio – a measure of the relative size of two amounts calculated by dividing one number into another; commonly used for comparisons.

Summary financial statements – is a report of the combined financial results of all organizations that a government controls and uses to provide goods and services to the public. Government organizations included in the statements include departments, Crown corporations, agencies, boards, and commissions.

Tangible capital assets – identifiable long-term assets that are acquired, constructed or developed, and held for use rather than for sale. Examples include land, highways, buildings, automobiles, computer hardware and software, but exclude inventories, and crown land. Tangible capital assets are a key component in the delivery of government programs and provide on-going value to the public.

Appendix 2 – Additional financial information and analyses

This appendix sets out additional financial information and analyses in the form of questions and answers. This information is intended to assist legislators, government officials, and the public to understand the state of the Government's finances.

1. Which items significantly affected the Summary Financial Statements results for 2006?

In 2006, the Government's revenue increased $371 million, its expenses increased $411 million, and its income from government business enterprises decreased $125 million from 2005. The 2006 annual surplus was $679 million compared to $844 million in 2005.

The following items significantly contributed to the overall increase of $371 million in revenue[15]:

- Taxation revenue was $527 million higher than last year. This was mainly due to higher revenues from individual income tax, sales tax, and corporate taxes. Individual income tax and corporate income tax increased by $255 million mainly due to the Federal Government's adjustments for underpayment of prior year taxes.

- Transfers from the Federal Government decreased $532 million from the prior year. In 2005, the Government recorded equalization transfers of $582 million, most of which was one-time revenue. As reflected in the 2005-06 Budget, the Government expected equalization transfers to drop to $82 million. It recorded equalization transfers of $89 million in 2006.

- Non-renewable resources revenue increased $247 million in 2006 from the prior year. This was mainly due to improved revenues from oil and natural gas offset slightly by a decrease in potash revenues. In 2006, combined

[15] See page 78 in Volume 1 of the Public Accounts at www.gov.sk.ca/finance/paccts/paccts06/volume1-2005-06.pdf (July 2006).

revenue from oil and natural gas was $1,394 million compared to $1,119 million in 2005.

- Other own-source revenue was $129 million higher than last year. This included an increase in earnings of $46 million mainly from Newgrade Energy Inc.

The following items significantly contributed to the overall increase of $411 million in expenses:

- Agricultural expenses were $268 million less than last year. This is mainly due to decreased crop insurance costs due to less crop damage.

- Community development expenses were $64 million more than last year. This was mainly due to a one-time capital funding payment of $32 million for the Community Share 2006 program as well as increased costs for the 2005 Centennial.

- Debt charges were $62 million less than prior year. This is mainly due to a reduction in total debt and lower interest rates.

- Economic development expenses were $94 million more than last year. This was mainly due to losses and write-downs for Meadow Lake Pulp Limited Partnership.

- Education expenses were $189 million more than last year. This was mainly due to increased expenses for post-secondary capital grants, property tax relief, and teachers' salaries and pensions.

- Health expenses were $278 million more than last year. This was mainly due to increased costs for salaries and benefits, payments to doctors, drugs, and increased funding to reduce wait lists.

- Protection of persons and property expenses were $37 million more than last year. This was mainly due to uninsurable losses under the Provincial Disaster

Assistance Program and increased costs for salaries and benefits.

- Other expenses were $24 million more than last year. This is mainly due to the $75 million SaskEnergy subsidy to reduce consumers' gas costs.

The income from government business enterprises decreased $125 million primarily due to[16]:

- Decreased net income in Saskatchewan Auto Fund of $105 million (includes policy holder rebate), SaskEnergy of $31 million and SaskTel of $26 million.

- Increased net income in SaskPower of $64 million.

2. How did the Government's actual results compare against its planned results for 2006?

Each spring since 2003, the Government has published its Performance Plan Summary in conjunction with its release of the Estimates for the General Revenue Fund. For 2006, the Government's actual results were significantly better than planned. It had estimated an annual deficit of $173.1 million[17] for 2006. It recorded an annual surplus of $679.0 million for a difference of $852.1 million.

Taxation and non-renewable resources revenues were higher than expected. These were the primary reason for $800.0 million more surplus than planned from government service organizations. Also, income from government business enterprises was $52.0 million more than planned. The following corporations had higher incomes than expected: Saskatchewan Gaming Corporation by $21.5 million, SaskPower by $47.5 million, and Saskatchewan Auto Fund by $67.0 million. The following corporations had lower incomes than expected: SaskEnergy by $11.6 million, and SaskTel by $29.8 million. Annual reports of

[16] See pages 66 and 67 in Volume 1 of the Public Accounts at www.gov.sk.ca/finance/paccts/paccts06/volume1-2005-06.pdf (July 2006).

[17] 2005-2006 Saskatchewan Provincial Budget – Budget and Performance Plan Summary, p. 87, Government of Saskatchewan, March 2006. The Government later revised its estimate to $202.6 million in its 2006-2007 Saskatchewan Provincial Budget – Budget and Performance Plan Summary (p. 77) issued April 2007.

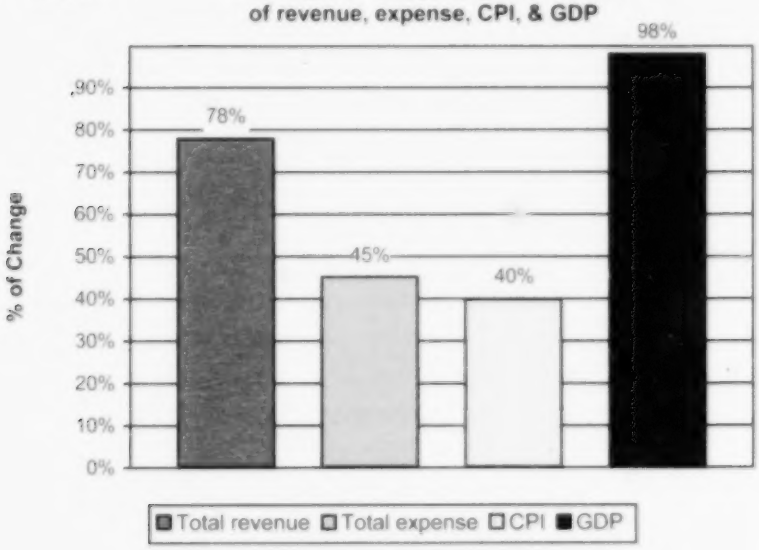
these corporations provide further information on their performances. These reports are available at www.gov.sk.ca.

3. How does the Government's revenue raising and spending compare with changes in inflation?

Graph A compares the percentage changes in total revenues and in total expenses to the change in Saskatchewan's consumer price index (CPI) and its gross domestic product (GDP) over a sixteen-year period ending 2006. The report does not adjust the revenues, expenses, and GDP statistics for inflation.

Graph A shows that over this period change in revenues are lower than change in GDP, and change in expenses are similar to changes in CPI.

Graph A **Percentage of change from 1991 to 2006 of revenue, expense, CPI, & GDP**



4. How does the Government's net debt per capita compare with other provinces?

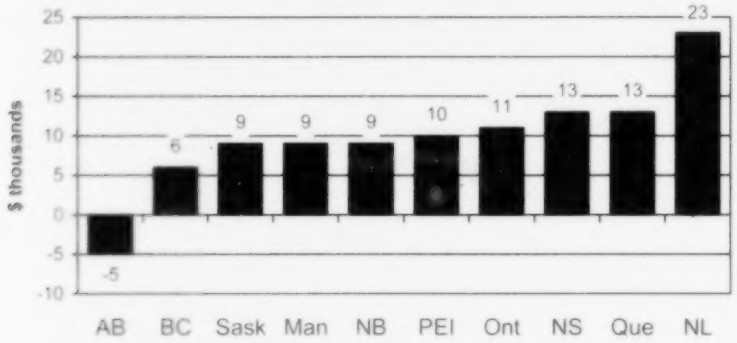
Graph B shows the each provincial government's net debt as at March 31, 2005 divided by its province's population as of July 1, 2005[18]. A lower ratio is desirable.

[18] Source: Statistics Canada (updated May 29, 2006)

Graph B shows that Saskatchewan is tied with New Brunswick and Manitoba for the third lowest net debt per capita of the provinces. Only Alberta and BC have a better ratio of net debt per capita. This is consistent with recent years.

Graph B

Net debt per capita for 2005 by province



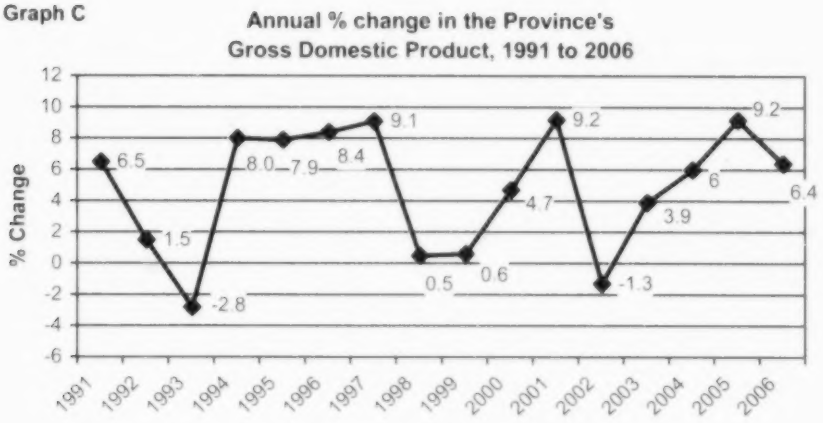
5. What is the annual percentage change in Saskatchewan's GDP from 1991 to 2006?

Graph C shows the annual percentage change in the Saskatchewan economy as measured by the change in the GDP (unadjusted for inflation).[19]

Graph C shows that the Saskatchewan economy fluctuates significantly. Key factors affecting the Saskatchewan economy include the value of the Canadian dollar due to high reliance on exports (primarily to the United States), Canadian interest rates, and a high reliance on the price of non-renewable resources such as oil, potash, and natural gas, as well as on agriculture commodities such as crops and cattle.[20]

[19] Source: Saskatchewan Bureau of Statistics for GDP at December 31. GDP statistics reflect the previous calendar year since statistics are not available for twelve-month periods ending March 31. GDP is not adjusted for inflation.
[20] 2005-06 Saskatchewan Provincial Budget, Government of Saskatchewan, p. 37

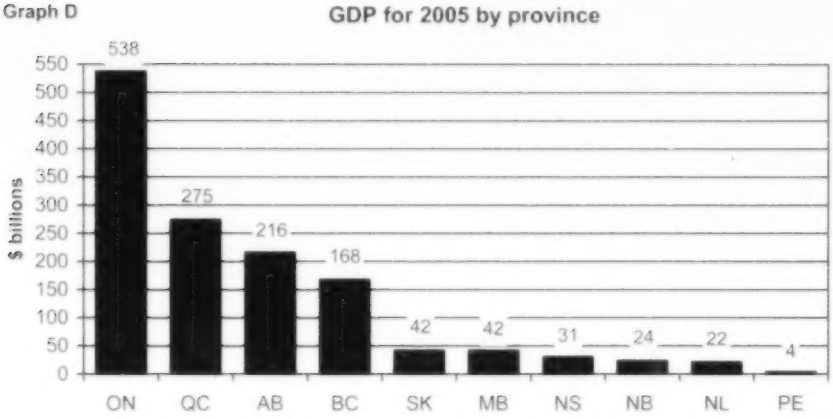
Graph C



6. How does the size of Saskatchewan's GDP compare with the other provinces?

Graph D shows that Saskatchewan's GDP is tied with Manitoba at fifth highest. It is significantly lower than that of Ontario, Quebec, Alberta, and British Columbia but higher than the Maritime provinces.[21] This is consistent with the prior year.

Graph D



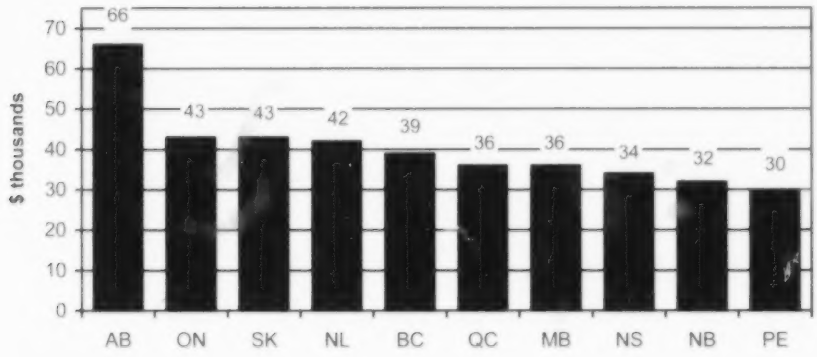
[21] The GDP information is from Statistics Canada and is available on the Internet at www.statcan.ca/english/Pgdb/econ15.htm (July 2005).

7. How does Saskatchewan's GDP per capita compare with that of other provinces?

Graph E shows the GDP per capita using the provincial GDP at December 31, 2005 divided by the population of the province at July 1, 2005. A high ratio is desirable.

Graph E shows that Saskatchewan and Ontario have the second largest GDP per capita of the provinces. This compares with Saskatchewan having the third largest in 2001 to 2004.

Graph E **2005 GDP per capita by province**



Source: Statistics Canada.

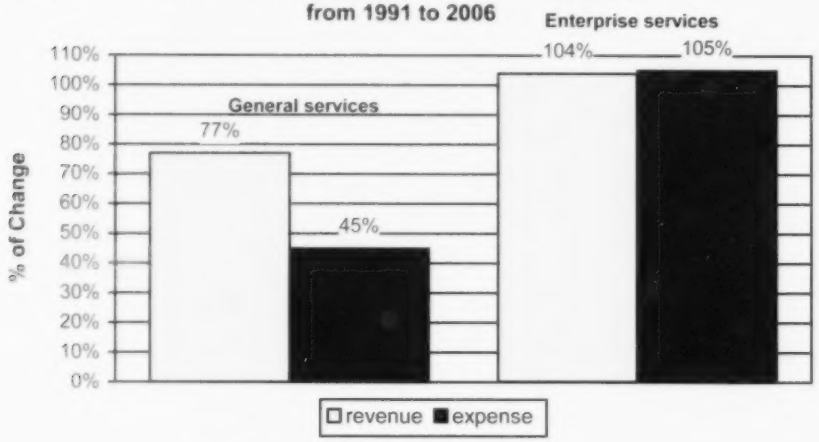
8. Has the Government changed the extent of activity it carries out through its government business enterprises?

Enterprise services reflect the financial activities of certain Crown corporations referred to as government business enterprises.[22] Graph F shows that from 1991 to 2006, enterprise services revenues increased 104% (to 2005 – 99%) and related expenses increased 105% (to 2005 – 93%).

General services include the financial activities of the rest of the Government. Over the same sixteen-year period, general services revenues increased 77% (to 2005 – 69%) and general services expenses increased 45% (to 2005 – 38%).

[22] The Government's business enterprises include Crown corporations such as SaskPower, SaskEnergy, SaskTel, and the Liquor and Gaming Authority. They are included in Schedule 4 to the Summary Financial Statements. These enterprises raise revenue through direct charges for goods and services.

Graph F Percentage of change of revenue & expense from 1991 to 2006



The above amounts are not adjusted for inflation. For further detailed information on trends in the Government's revenue and expenses, see Appendix 3.

9. **To what extent have the sales of larger investments affected the Government's financial results?**

The Government has not had large sales of investments or revaluations of investments every year. When the sales do occur, the Government has recorded gains or losses in the given year. For example, the Government recorded:

- A $48.5 million write down of its interest in Meadow Lake Pulp Partnership Limited in 2006
- A $112 million gain from the sale of its remaining shares in Cameco in 2002
- A $69 million gain from the sale of its interests in Saturn Communications Limited and the Saskfor MacMillan Limited Partnership in 2000
- A $175 million gain from the sale of shares in Wascana Energy Inc. and the sale of the Bi-Provincial Upgrader in 1998
- A $615 million gain from the sale of shares of Cameco, LCL Cable, and ISM in 1996

- A $189 million loss from the sale of shares in Cameco in 1992

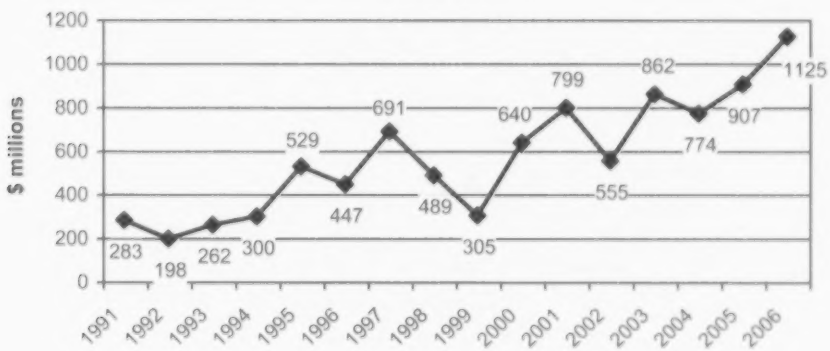
10. What impact have oil revenues had on the Government's revenue?

Saskatchewan oil trades on the world market. Oil prices fluctuate according to world supply and demand. In recent years, the price of oil has had extreme price swings. This has resulted in similar swings in the Government's oil revenues. Oil revenues are part of its own-source revenues.

Swings in oil prices are beyond the control of the Government. Graph G shows that while oil revenues grew over the sixteen-year period from 1991 to 2006, they have varied significantly from year-to-year.

Graph G

Oil revenue from 1991 to 2006



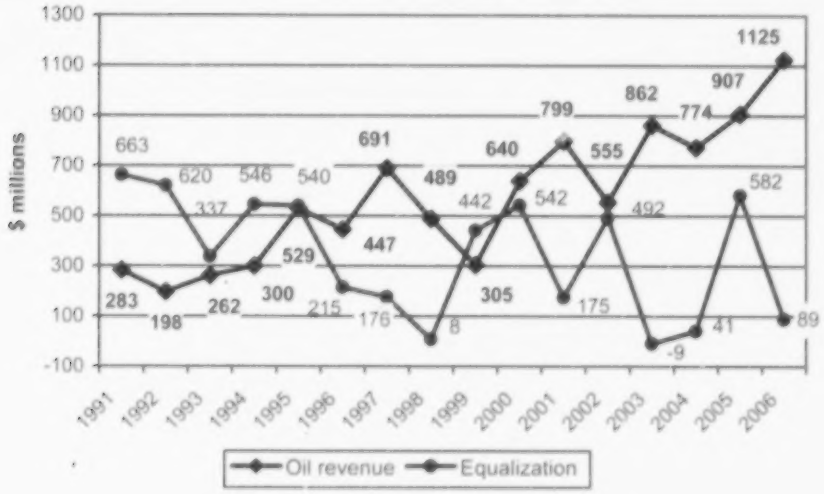
Changes in Saskatchewan's oil revenues offset changes in equalization transfers revenues. The Federal Government uses a formula to calculate equalization transfers. The Federal Government includes 33 revenue sources to calculate a provinces' revenue-generating capacity. About one-third of these sources directly relate to oil and gas revenues. For provinces with significant oil and gas revenues, increases in these revenues are almost completely offset by decreases in equalization transfers.[23]

[23] *Equalization: Implications of Recent Changes*, Michael Holden, Parliamentary Information and Research Service, January 2006.

Graph H shows that the increases in Saskatchewan's oil revenues have decreased the amount of federal equalization transfers it has received. For inter-provincial comparisons, see Graph 11.

Graph H

Oil revenue and equalization transfers from 1991 to 2006



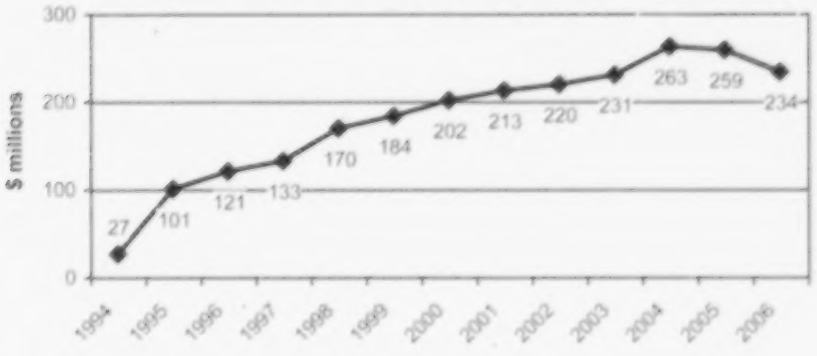
As noted in Appendix 2, question 1, the Government got a one-time equalization transfer of $582 million in 2005. For further detailed information on trends in the Government's revenue, see Appendix 3.

11. What impact have gaming operations had on the Government's finances?

Graph I shows that since 1994, the Government has earned an increasing amount of income from gaming.[24] From 1994 to 2006, gaming income increased from $27 million in 1994 to a peak of $263 million in 2004, then decreased slightly to $234 million in 2006.

[24] The income from gaming is the gaming revenues after deducting expenses for gaming operations.

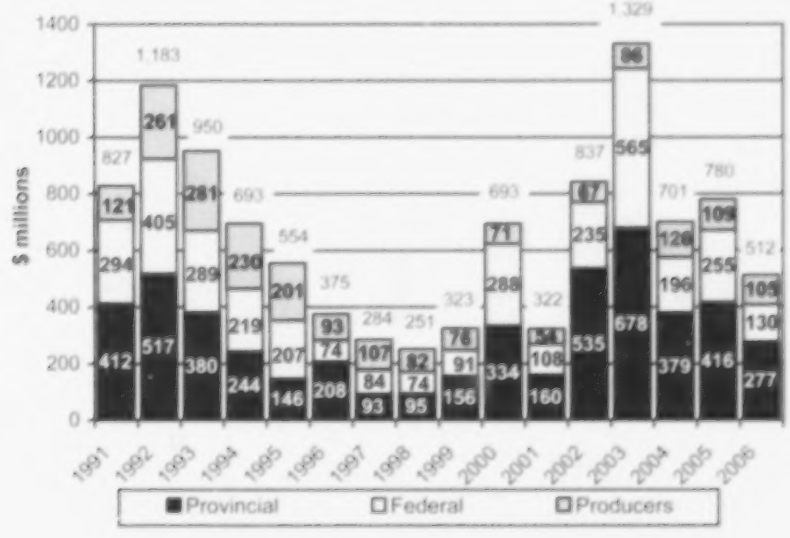
Graph I **Income from gaming from 1994 to 2006**



12. Why do agriculture expenses fluctuate so much?

Graph J shows fluctuations in the Government's agricultural expenses from 1991 to 2006. The graph also shows producers (through premiums) and the Federal Government (through transfers) help pay for these expenses.

Graph J **Agriculture expenses from 1991 to 2006**



Agriculture expenses fluctuate for two main reasons.

First, the Government's key agricultural programs, crop insurance, is designed in such a way that the Government's annual spending

will fluctuate because it depends on producers' eligibility in that year.

Eligibility criteria are typically based on levels and quality of production and price of the commodity. Weather affects production levels and quality. Commodity world prices reflect world supply and demand as well as trading subsidies paid by foreign governments.

Second, for agricultural services cost-shared with the Federal Government, whether the Government has the responsibility to administer the program significantly impacts the amounts it records as revenues and expenses. Either the Federal Government or the Saskatchewan government administer these services.[25]

For example, if Saskatchewan administers the service, as with crop insurance, the Government's Summary Financial Statements include the total cost of the program. That is, the statements include money from the Federal Government and producers as revenue and all costs to deliver the program as expenses.

As such, the Government's agriculture expenses include the full cost of crop insurance (i.e., 2006: $-74 million, 2005: $143 million, 2004: $157 million, 2003: $488 million, 2002: $214 million, 2001 and 2000: combined cost $15 million).

If on the other hand, the Federal Government administers the service, as with the Canadian Agricultural Income Stabilization (CAIS) Program, the Government's agriculture expenses include only the Government's share of the cost of the program.

13. How much are the Government's total liabilities including liabilities of government business enterprises?

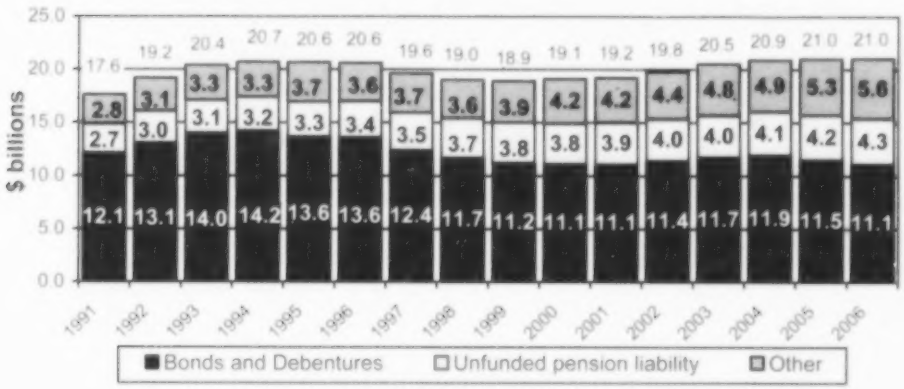
Graph K shows the Government's total liabilities including liabilities of government business enterprises from 1991 to 2006. The Government's liabilities include bonds and debentures, unfunded pension liabilities, and other liabilities. Other liabilities

[25] Per officials from the Department of Agriculture and Food, the governments decide which level of government administers the service based on which level can administer the program more efficiently (e.g., lower costs, or has experience in administering similar services).

include accounts payable, accrued interest, and unpaid claims for government insurance services.[26]

Graph K shows that amounts owed for bonds and debentures have decreased since 1991 to $11.1 billion whereas amounts owed for unfunded pension liability has increased to $4.3 billion.

Graph K **The Government's liabilities as at March 31 from 1991 to 2006 (including liabilities of Government business enterprises)**



Net debt is a more meaningful indicator of financial condition than total liabilities. (See Graph 2 for further detail). Unlike net debt, liabilities do not take into account financial assets available that could be used to repay liabilities.

14. How has Saskatchewan's credit rating changed from 1991 to 2006?

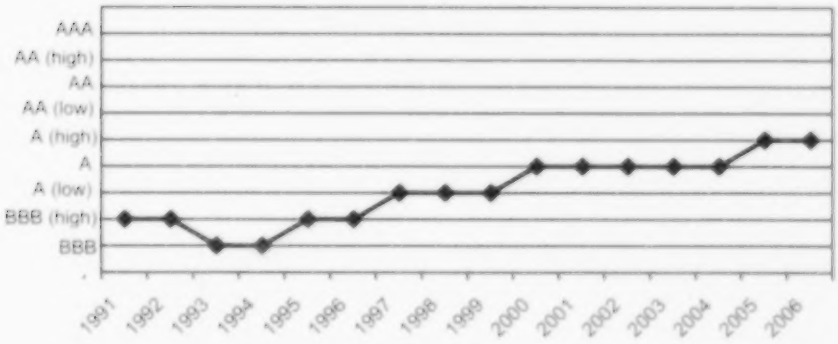
Three major bond-rating services routinely rate the Saskatchewan Government's creditworthiness. They are Dominion Bond Rating Service, Moody's Investors Service, and Standards & Poor's. Each has slightly different rating categories and criteria.[27]

[26] Liabilities are amounts owed to individuals and corporations outside of the Government. As such, Graph K excludes amounts owed by the General Revenue Fund to the Liquor and Gaming Authority. These amounts (in millions) are: 2006 – $40, 2005 – $44, 2004 – $37, 2003 – $23, 2002 – $32, 2001 – $13, 2000 – $674, 1999 – $364, 1998 – $386, 1997 – $451, 1996 – $197, 1995 – $241, 1994 – $140, 1993 – $116, 1992 – $118, and 1991 – $70.

[27] Information on Dominion Bond Rating Services is available at www.dbrs.com, on Moody's Investor Service at www.moodys.com, and on Standards & Poor's at www2.standardandpoors.com. The rankings reflected in the graphs are for long-term debt (i.e., bonds and debentures).

Each of these services has given the Government better credit ratings in recent years. Graph L shows the Government received better credit ratings from Dominion Bond Rating Service in 1997, 2000, and 2005. Its rating moved from a low of BBB in 1993 to the current high of A (high) in 2005. Standards & Poor's upgraded the Government's credit rating in August 2006. A higher credit rating means you can borrow at a lower cost and have more sources of borrowing.

Graph L **Dominion Bond Rating Service - Credit ratings from 1991 to 2006 for Saskatchewan**



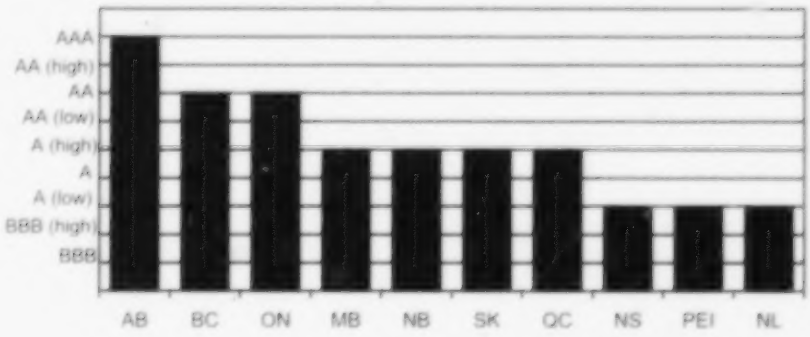
15. How does the Saskatchewan Government's credit rating compare to the credit ratings of the other provincial governments?

Graphs M to O compare Saskatchewan's credit rating for long-term debt (i.e., bonds and debentures) to that of other provincial governments for each of the three credit rating services. The information in the graphs is based on the most recent credit rating available at the time of writing this report.

The graphs show that Saskatchewan's credit rating is typically lower than those of Alberta, British Columbia, and Ontario and is similar to those of Manitoba and New Brunswick. For at least two of the three credit rating services, Saskatchewan surpasses the credit ratings of Quebec, Nova Scotia, PEI, and Newfoundland and Labrador. This is generally consistent with recent years.

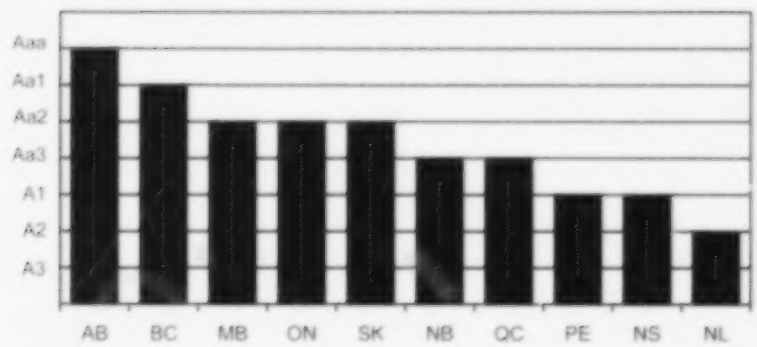
Graph M

Dominion Bond Rating Service -
Credit ratings as at August 8, 2006 by province



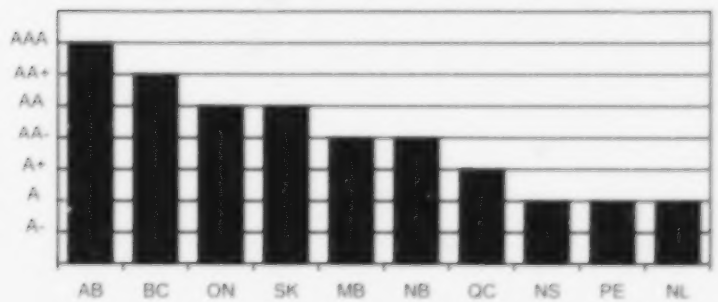
Graph N

Moody's Investors Service -
Credit ratings as at August 8, 2006 by province



Graph O

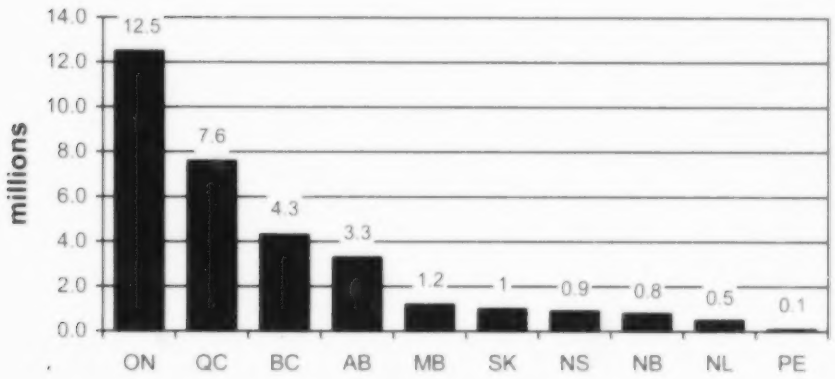
Standard and Poor's -
Credit ratings as at August 8, 2006 by province



16. How does the size of Saskatchewan's population compare with other provinces?

As shown in Graph P, Saskatchewan's population remains around one million – the sixth largest in Canada. Its population is comparable to Manitoba and to two of the four Maritime provinces.

Graph P **Population as at July 1, 2005 by province**



Source: Statistics Canada CANSIM updated May 29, 2006.

17. How are "tax expenditures" accounted for in the Government's financial statements?

The Government commonly refers to reductions of taxes to taxpayers (i.e., individuals or corporations) as "tax expenditures".[28] The Government for public policy purposes may decide to allow certain taxpayers special exclusions, deductions, preferential tax rates, or credits. "Tax expenditures" are not expenses or expenditures and, appropriately, are not recorded in its financial statements.

For example, as reported in the 2006-07 Budget, the Government provides farmers with a fuel tax exemption for farm activity. It estimated that it has foregone revenues of about $112 million. It does not record this as a revenue or expense in the Summary Financial Statements.

[28] 2006-2007 Saskatchewan Provincial Budget, Budget and Performance Plan Summary, Government of Saskatchewan, pp. 48 – 54.

18. Why did the format of the Government's summary financial statements change for the year ended March 31, 2005?

In 2005, the Government adopted new CICA standards of accounting and financial statement presentation. The new standards introduce non-financial assets as a new category of assets. Since 2005, the Government records tangible capital assets, inventories for consumption, and prepaid expenses as non-financial assets and the cost of the government's use of these assets during the year as an expense.

Prior to the changes, the accumulated deficit for Saskatchewan was substantially the same as its net debt. After the changes, the accumulated deficit is now net debt less the new category of non-financial assets.

Appendix 3 – Detailed revenues and expenses – 1991 to 2006

(in $ millions)

	1991 unaudited	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenue																
Taxes	1,988	2,163	2,276	2,536	2,643	2,854	3,125	3,116	3,155	3,224	3,203	3,023	3,369	3,399	3,590	**4,117**
Federal Government transfers	1,603	1,706	1,447	1,488	1,512	1,046	853	675	1,088	1,553	1,029	1,518	1,414	1,290	1,995	**1,463**
Non-renewable resources	423	323	393	453	718	673	907	781	622	943	1,293	903	1,244	1,141	1,474	**1,721**
Income from government enterprises	362	266	249	310	313	590	549	568	652	582	642	426	453	734	843	**718**
Other	932	952	948	775	899	1,260	791	983	784	909	924	1,070	996	1,121	1,318	**1,447**
Total Revenue	5,308	5,410	5,313	5,562	6,085	6,423	6,225	6,123	6,301	7,211	7,091	6,940	7,476	7,685	9,220	**9,466**
Expense																
Agriculture	827	1,183	950	693	554	375	284	251	323	693	322	837	1,329	701	780	**512**
Community development	143	107	104	145	160	158	148	152	160	158	176	204	236	240	231	**295**
Debt charges - interest costs	1,053	1,147	1,299	1,285	1,338	1,305	1,224	1,175	1,111	1,026	947	891	894	928	903	**841**
Economic development	86	125	81	79	79	148	132	96	110	109	150	141	109	138	277	**371**
Education	847	871	883	849	874	828	853	855	886	901	1,019	987	989	1,062	1,208	**1,397**
Environment and natural resources	184	20	87	151	116	192	142	119	202	168	149	156	243	186	154	**174**
Health	1,659	1,641	1,614	1,553	1,622	1,623	1,682	1,761	1,931	2,174	2,223	2,424	2,558	2,745	2,944	**3,222**
Protection of persons and property	262	274	248	178	187	195	190	203	230	262	266	299	303	317	319	**356**
Social services and assistance	446	507	547	550	584	588	586	700	747	785	783	784	794	792	821	**844**
Transportation	283	242	201	212	228	236	248	273	272	273	303	337	328	291	317	**329**
Other	270	969	199	148	202	212	191	212	260	256	292	363	347	385	422	**446**
Total Expense	6,060	7,086	6,213	5,843	5,944	5,860	5,680	5,797	6,232	6,805	6,630	7,423	8,130	7,785	8,376	**8,787**
Annual surplus (deficit)	(752)	(1,676)	(900)	(281)	141	563	545	326	69	406	461	(483)	(654)	(100)	844	**679**

(Derived from the Government's summary financial statements)

Appendix 4 – Listing of graphs

The following lists graphs included in the body of this report.

1 The Government's annual surplus or deficit from 1991 to 2006
2 Saskatchewan's GDP and the Government's net debt from 1991 to 2006
3 The Government's net debt as % of GDP from 1991 to 2006
4 Net debt as % of GDP as at March 31, 2005 by province
5 The Government's own-source revenue as % of GDP from 1991 to 2006
6 Own-source revenue as % of GDP as at March 31, 2005 by province
7 The Government's interest costs as % of revenue from 1991 to 2006
8 Interest costs as % of revenue as at March 31, 2005 by province
9 Annual % increase in net book value of tangible capital assets from 1997 to 2006
10 The Government's equalization transfers from 1991 to 2006
11 Federal Government transfers as % of Saskatchewan Government own-source revenue from 1991 to 2006
12 Federal Government transfers as % of own-source revenue as at March 31, 2005 by province

The following lists graphs included in Appendix 2 of this report.

A Percentage of change from 1991 to 2006 of revenue, expense, CPI, & GDP
B Net debt per capita for 2005 by province
C Annual % change in the Province's Gross Domestic Product, 1991 to 2006
D GDP for 2005 by province
E 2005 GDP per capita by province
F Percentage of change of revenue and expense from 1991 to 2006
G Oil revenue from 1991 to 2006
H Oil revenue and equalization transfers from 1991 to 2006
I Income from gaming from 1994 to 2006
J Agriculture expenses from 1991 to 2006
K The Government's liabilities as at March 31 from 1991 to 2006 (including liabilities of government business enterprises)
L Dominion Bond Rating Service – credit ratings from 1991 to 2006 for Saskatchewan
M Dominion Bond Rating Service – credit ratings as at August 8, 2006 by province
N Moody's Investors Service – credit ratings as at August 8, 2006 by province
O Standards and Poor's – credit ratings as at August 8, 2006 by province
P Population as at July 1, 2005 by province